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Macroeconomic policy questions: external debt and development: towards a durable solution to the debt problems of developing countries

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 51 (see A/64/418, para. 2). Action on sub-item (c) was taken at the 26th and 41st meetings, on 30 October and 9 December 2009. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/64/SR.26 and 41).

II. Consideration of draft resolutions A/C.2/64/L.9 and A/C.2/64/L.69

2. At the 26th meeting, on 30 October, the representative of Sudan, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "External debt and development" (A/C.2/64/L.9), which read:

> "*The General Assembly*,
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> "*Recalling* its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007 and 63/206 of 19 December 2008 on external debt crisis and development,
>
> "*Recalling* the 2009 Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development,

* The report of the Committee on this item is being issued in five parts, under the symbol A/64/418 and Add.1-4.

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"*Recalling also* the International Conference on Financing for Development and its outcome, and the 2008 Doha Declaration on Financing for Development,

"*Recalling further* the United Nations Millennium Declaration adopted on 8 September 2000,

"*Recalling* the 2005 World Summit Outcome,

"*Recalling also* its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

"*Recalling further* its resolution 57/270 B of 23 June 2003,

"*Expressing concern* that the negative impact of the world financial and economic crisis on development is still unfolding and is gravely threatening the debt sustainability in developing countries, inter alia, through its impact on the real economy, and the need to increase borrowing in order to mitigate the negative impacts of the crisis,

"*Expressing concern also* that temporary standstills, debt relief and debt restructuring have not been given an adequate role as tools of debt crisis prevention and management to mitigate the impact of the global financial crisis in developing countries,

"*Expressing concern further* that the amount of resources allocated to low-income countries, as part of the global response to the crisis, is insufficient for them to respond to their external debt problems derived from the crisis,

"*Reaffirming* that each country must take primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized in the achievement of sustainable development, and recognizing that national efforts should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

"*Emphasizing* that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals,

"*Noting* the progress made under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative initiatives, expressing concern that fourteen out of forty eligible heavily indebted poor countries have still not reached the completion point under the Initiative, and expressing deep concern over the fact that some of the conditionalities for access, as well as policy conditionalities to some participating countries, endanger the ability of these countries to increase their investments in health, education and other social services consistent with national priorities, development plans and internationally agreed development goals, including the Millennium Development Goals,

"*Stressing* the importance of addressing the challenges of those heavily indebted poor countries that are facing difficulties in reaching the completion point under the Heavily Indebted Poor Countries Initiative, and expressing concern that some heavily indebted poor countries continue to face substantial debt burdens and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Initiative and that several remain classified as being at high risk of debt distress even after completing the Initiative,

"*Expressing concern* that a number of heavily indebted non-Heavily Indebted Poor Countries have been unable to access financing from international financial institutions on concessionary terms for the provision of liquidity and crisis management, leading to a worsening of their unsustainable debt burdens,

"*Expressing concern also* over the difficulties faced by developing countries in finding a durable solution to their external debt problems, and the fact that they are being adversely impacted by the world financial and economic crisis, which is reversing their development gains,

"*Convinced* that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

"1. *Takes note* of the report of the Secretary-General;

"2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable and development-oriented solution to the debt problems of developing countries;

"3. *Recognizes* the enormity and the multidimensional nature of the global economic and financial crisis and the significant risks it poses to the debt sustainability of developing and transition economies, and emphasizes the need for coordinated policies aimed at fostering debt financing, debt relief and debt restructuring with the provision of additional resources to developing countries and countries with economies in transition without conditionalities, since the balance between debt financing, temporary standstills, restructuring and relief can contribute to economic growth and development;

"4. *Also notes* that the additional fiscal pressure placed on low- and middle-income developing countries that are not included in existing debt relief initiatives imposes constraints on their capacity to mobilize the resources needed to achieve the internationally agreed development goals, including the Millennium Development Goals;

"5. *Stresses* the need to assist developing countries to respond to the crisis without requiring them to incur unsustainable levels of debt and without increasing the risk of relapsing into another debt crisis, calls for the provision of concessional and grant-based financing to developing countries to respond to the crisis, and encourages developed countries to allocate new and additional resources to assist developing countries in coping with the consequences of the crisis;

"6. *Notes* the International Monetary Fund's provision of interest relief to low-income countries in the form of zero payments for concessional lending facilities until the end of 2011, and further calls for a temporary debt

moratorium on official debt of low-income countries until 2011 to provide them with much needed fiscal space to respond to the crisis;

"7. *Notes with concern* that the International Monetary Fund continues to prescribe procyclical and conditionality-based programmes, as well as overly optimistic growth forecasts, which will further compound the impact of the world financial and economic crisis on debt sustainability, and emphasizes that it is imperative to undertake, as a matter of priority, a comprehensive and fast-tracked reform of the International Monetary Fund;

"8. *Stresses* the importance of assisting developing countries in managing their borrowing, upon request, and in avoiding a build-up of unsustainable debt, including through capacity-building in the area of debt management and the use of grants and concessional loans;

"9. *Calls for* an urgent review of the joint International Monetary Fund/World Bank Debt Sustainability Framework, in order to enhance its transparency and objectivity, and expresses concern that developing countries were not consulted in the recent review of the joint International Monetary Fund/World Bank Debt Sustainability Framework, and, in this regard, calls for the full engagement of developing countries in an open and transparent manner in future reviews;

"10. *Notes* the importance of responsible lending and borrowing, and emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations;

"11. *Calls for* the provision of neutral, open and transparent assistance, including technical assistance, upon request, to enhance debt management, negotiations and renegotiation capacities, including tackling external debt litigation and debt data reconciliation between creditors and debtors, in order to achieve and maintain debt sustainability;

"12. *Reiterates* that debt sustainability depends on a confluence of many factors at the international and national levels, emphasizes that country-specific circumstances and the impact of external shocks should continue to be taken into account in debt sustainability analyses, underscores the fact that no single indicator should be used to make definitive judgements about debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact of developments in financial markets and weaknesses in the international monetary and financial system, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

"13. *Underlines* the facts that the long-term sustainability of debt depends, inter alia, on the economic growth, mobilization of domestic resources and export prospects of debtor countries and, hence, on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective

regulatory frameworks and success in overcoming structural development problems, that systemic issues impact on development in countries and reverse gains, and that subsequent reform of the international financial system must be conducive to fostering an inclusive financial and monetary system;

"14. *Notes with concern* that, in spite of the progress achieved, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative are still classified as being at high risk of debt distress, calls for the full and timely implementation of the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative and for continued support to countries to complete the Heavily Indebted Poor Countries Initiative process, and encourages progress to complete the debt relief process;

"15. *Urges* donors to ensure that their commitments to the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative are additional to existing official development assistance commitments, and underlines that full compensation by donors on the basis of fair burden-sharing for the Multilateral Debt Relief Initiative costs of relevant financial institutions is essential;

"16. *Encourages* further improving the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

"17. *Notes* the creation of new International Monetary Fund lending facilities in response to the crisis, calls for the ongoing review of the new lending facilities, and calls upon the multilateral development banks to move forward on flexible, concessional, fast-disbursing and front-loaded assistance designed to substantially and quickly assist developing countries facing financing gaps;

"18. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessionary financing, cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative, as well as the exploration of mechanisms to comprehensively address the debt problems of those countries;

"19. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps;

"20. *Stresses* the need to significantly address the debt problems of middle-income developing countries, and in this regard stresses the importance of the Evian approach of the Paris Club as a practical means to address this issue, and notes that the current debt sustainability framework used to analyse the debt situation of middle-income countries focuses mostly on medium-term debt dynamics;

"21. *Notes* the changing composition of sovereign debt that has shifted increasingly from external public debt to domestic debt to pay off foreign currency liabilities, notes that the levels of domestic debt could create other challenges for macroeconomic management and public debt sustainability, emphasizes the importance of safe structures of debt, and calls for reinforcing the capacity to manage the new levels of domestic debt in order to maintain public debt sustainability overall;

"22. *Notes* that financial reform policies and the deepening of financial markets have enhanced the access of private borrowers to international capital markets, also notes that the share of total external long-term debt owed by private borrowers increased substantially in recent years, constituting half of private borrowing, further notes that corporate debt makes up the majority of short-term external debt of developing countries, and calls for the necessary policy space in developing countries in addressing corporate insolvencies arising from the economic and financial crisis;

"23. *Calls for* the enhancement of existing mechanisms for debt crisis prevention and management, including through cooperation with the private sector;

"24. *Urges* the continued monitoring by the United Nations and international financial institutions of global financial flows and their implications for restoring sustained economic growth, sustainable development and debt sustainability;

"25. *Invites* creditors and debtors to further explore, where appropriate, and on a mutually agreed basis, the use of innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goals projects;

"26. *Stresses* the need to continue to take effective measures to address the debt problems of the least developed countries, including through cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private;

"27. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability;

"28. *Requests* the Secretary-General to undertake an examination and present concrete proposals to reform the monitoring and oversight mechanisms of the credit rating agencies, including their methodology, with a view to improving transparency and accountability and addressing problems of conflict of interest with the goal of producing objective assessment of countries and corporations;

"29. *Calls for* an enhanced approach to sovereign debt problems, and, in that regard, decides to set up a United Nations committee to examine options for a debt restructuring and resolution mechanism within the United Nations, with a view to guaranteeing a voice for debtors, equivalent treatment of all creditors, just treatment of debtors and creditors, and legal predictability;

"30. *Calls upon* the international community to provide prompt assistance and flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

"31. *Calls upon* creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt problems;

"32. *Welcomes* the efforts of and calls upon the international community to support institutional capacity-building in developing countries for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

"33. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and other relevant multilateral financial institutions and stakeholders, to intensify their cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

"34. *Invites* the international community, including the United Nations system, to increase financial support in respect of capacity-building activities for developing countries in the area of debt management and debt sustainability;

"35. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

"36. *Requests* the Secretary-General to submit to the General Assembly at its sixty-fifth session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation and debt-servicing problems of developing countries and a review of debt management capacity-building efforts, particularly those of the United Nations system;

"37. *Decides* to include in the provisional agenda of its sixty-fifth session, under the item entitled 'Macroeconomic policy questions', a sub-item entitled 'External debt crisis and development'."

3. At its 41st meeting, on 9 December, the Committee had before it a draft resolution entitled "External debt sustainability and development" (A/C.2/64/L.69), submitted by the Vice-Chairperson of the Committee, Carlos Enrique García González (El Salvador), on the basis of informal consultations held on draft resolution A/C.2/64/L.9.

4. At the same meeting, the Committee was informed that the draft resolution had no programme budget implications.

5. Also at the same meeting, a statement was made by the Vice-Chairperson (El Salvador), in the course of which he orally corrected operative paragraph 20 of the draft resolution by inserting the words "economic growth, economic

development and the" between the words "sustained" and "internationally agreed development goals" (see A/C.2/64/SR.41).

6. Also at its 41st meeting, the Committee adopted draft resolution A/C.2/64/L.69, as orally corrected (see para. 8).

7. In the light of the adoption of draft resolution A/C.2/64/L.69, draft resolution A/C.2/64/L.9 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

8. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007 and 63/206 of 19 December 2008,

Recalling also the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome,[1]

Recalling further the International Conference on Financing for Development and its outcome,[2] and the 2008 Doha Declaration on Financing for Development,[3]

Recalling the United Nations Millennium Declaration, adopted on 8 September 2000,[4]

Recalling also the 2005 World Summit Outcome,[5]

Recalling further its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

Recalling its resolution 57/270 B of 23 June 2003,

Recognizing the important role, on a case-by-case basis, of debt relief and debt restructuring as debt crisis prevention and management tools for mitigating the impact of the world financial and economic crisis in developing countries,

Expressing concern that some low-income countries may face increased challenges in servicing their debt,

Reaffirming that each country must take primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized in the achievement of sustainable development, and recognizing that national efforts should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

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[1] Resolution 63/303, annex.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] Resolution 63/239, annex.

[4] See resolution 55/2.

[5] See resolution 60/1.

Reaffirming also that the Bretton Woods institutions and other relevant organizations should continue to play an important role, given their respective mandates, in achieving and maintaining debt sustainability,

Noting in this regard the recent improvement of the lending framework of the International Monetary Fund, through, inter alia, streamlined conditions and the creation of more flexible instruments such as a flexible credit line, while noting also that new and ongoing programmes should not contain unwarranted procyclical conditionalities,

Emphasizing that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals,

Noting with appreciation that the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative and bilateral donors have provided significant debt relief to twenty-six heavily indebted poor countries that have reached the completion point under the Heavily Indebted Poor Countries Initiative, and that an additional nine countries have reached the decision point under the Initiative, and expressing concern that five out of forty eligible heavily indebted poor countries have still not reached the decision point under the Initiative,

Noting that the world has been facing and confronting, in the world financial and economic crisis, the greatest economic challenge of recent times and recognizing the international response to this crisis, which is helping to stabilize financial markets,

Recognizing that the negative impact of the world financial and economic crisis on development is still unfolding and entails the possibility of undoing the progress made towards achieving the Millennium Development Goals, and that it may threaten debt sustainability in some developing countries, inter alia, through its impact on the real economy and the increase in borrowing undertaken in order to mitigate the negative impacts of the crisis,

Welcoming the fact that the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative have enabled heavily indebted poor countries to increase their investments in health, education and other social services consistent with national priorities, development plans and internationally agreed development goals, including the Millennium Development Goals,

Stressing the importance of addressing the challenges of the fourteen heavily indebted poor countries that are facing difficulties in reaching the decision or completion point under the Heavily Indebted Poor Countries Initiative, and expressing concern that some heavily indebted poor countries continue to face substantial debt burdens and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Initiative,

Acknowledging that, although the debt relief provided under the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives has considerably reduced the debt vulnerabilities in post-completion point countries and that the vulnerabilities in those countries are on average much lower than in pre-completion point heavily indebted poor countries, some post-completion point countries remain classified as being at high risk of debt distress,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General entitled "Towards a durable solution to the debt problems of developing countries";[6]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries, since debt financing and relief can contribute to economic growth and development;

3. *Stresses* the importance of responsible lending and borrowing, and emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations;

4. *Reiterates* that debt sustainability depends on a confluence of many factors at the international and national levels, emphasizes that country-specific circumstances and the impact of external shocks should continue to be taken into account in debt sustainability analyses and underscores the fact that no single indicator should be used to make definitive judgements about debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact of developments in financial markets, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

5. *Underlines* the fact that the long-term sustainability of debt depends, inter alia, on the economic growth, mobilization of domestic resources and export prospects of debtor countries and hence on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems;

6. *Recognizes* the enormity and the multidimensional nature of the world financial and economic crisis and the significant risks it may pose to the debt sustainability of some developing countries and countries with economies in transition, and emphasizes the need for coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate;

7. *Stresses* the need to assist developing countries in responding to the crisis without incurring the risk of relapsing into another debt crisis, takes note with appreciation in this regard of the additional resources that have been made available through the International Monetary Fund and the multilateral development banks, and calls for the continued provision of concessional and grant-based financing to low-income countries to enable them to respond to the crisis;

8. *Notes* the provision by the International Monetary Fund of interest relief to low-income countries in the form of zero-interest payments on financing from concessional lending facilities until the end of 2011;

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[6] A/64/167.

9. *Also notes* that developing countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments;

10. *Stresses* the importance of assisting developing countries, upon request, in managing their borrowing and in avoiding a build-up of unsustainable debt, including through capacity-building in the area of debt management and the use of grants and concessional loans, and underlines the important role of the joint Debt Sustainability Framework of the International Monetary Fund and the World Bank for low-income countries in helping to guide borrowing and lending decisions;

11. *Takes note* of the recent review of the flexibility of the Debt Sustainability Framework and urges all lenders and borrowers to make full use of debt sustainability analyses in their debt decisions in order to help maintain debt sustainability through a coordinated and cooperative approach, and encourages continued review of the Framework, with the full engagement of borrower Governments, in an open and transparent manner;

12. *Recognizes and encourages* the continued provision of assistance, including technical assistance, to enhance debt management, negotiation and renegotiation capacities, including supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors, in order that debt sustainability may be achieved and maintained;

13. *Takes note* of the progress made under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, while expressing concern that some countries have yet to reach decision or completion points, and calls for their full and timely implementation and for continued support to the remaining eligible countries in completing the Heavily Indebted Poor Countries Initiative process, and encourages all parties, both creditors and debtors, to fulfil their commitments as rapidly as possible in order to complete the debt relief process;

14. *Notes* that some low- and middle-income developing countries that are not included in existing debt relief initiatives also experience constraints on mobilizing the resources needed to achieve the internationally agreed development goals;

15. *Underlines* that heavily indebted poor countries eligible for debt relief will not be able to enjoy its full benefits unless all creditors, including public and private, contribute their fair share and become involved in the international debt resolution mechanisms to ensure the debt sustainability of low-income countries;

16. *Encourages* donor countries to take steps to ensure that resources provided for debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative do not detract from official development assistance resources intended to be available for developing countries;

17. *Encourages* further improving of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

18. *Takes note* of the creation of the new International Monetary Fund lending facilities in response to the crisis and the continued review of the new lending facilities, and urges the multilateral development banks to move forward on

flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Millennium Development Goals, bearing in mind that new lending facilities will have to consider those countries' individual absorptive capacities and debt sustainability;

19. *Welcomes and encourages* the efforts of the heavily indebted poor countries, calls upon them to continue to strengthen their domestic policies and economic management, inter alia, through poverty reduction strategies, and to create a domestic environment conducive to private-sector development, economic growth and poverty reduction, including a stable macroeconomic framework, transparent and accountable systems of public finance, a sound business climate and a predictable investment climate, and in this regard invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including by providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with creditors, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

20. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth, economic development and the internationally agreed development goals including the Millennium Development Goals, and in this regard, urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards those objectives;

21. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessionary financing, cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative;

22. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and takes note with appreciation of the Evian approach of the Paris Club in providing terms of debt relief tailored to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

23. *Stresses* the need to significantly address the debt problems of middle-income developing countries, and in this regard stresses the importance of the Evian approach of the Paris Club as a practical means of addressing this issue, and notes that the current debt sustainability framework used to analyse the debt situation of middle-income countries focuses mostly on medium-term debt dynamics;

24. *Notes* the changing composition of some countries' sovereign debt, which has shifted increasingly from external public debt to domestic debt, notes that the levels of domestic debt could create other challenges for macroeconomic management and public debt sustainability, and calls for reinforcing the capacity to

manage the new levels of domestic debt in order to maintain overall public debt sustainability;

25. *Recognizes* that a shift has occurred from official to commercial borrowing and from external to domestic public debt, although for most low-income countries external finance is still largely official, notes that the number of creditors, both official and private, has increased significantly, and stresses the need to address the implications of these changes, including through improved data collection and analysis;

26. *Calls for* the intensification of efforts to prevent debt crises by enhancing international financial mechanisms for crisis prevention and resolution, in cooperation with the private sector, and by finding solutions that are transparent and agreeable to all;

27. *Recognizes* the roles of the United Nations and the international financial institutions in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustainable development and a durable solution to the debt problem of developing countries;

28. *Invites* creditors and debtors to further explore, where appropriate, and on a mutually agreed and case-by-case basis, the use of innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goals projects;

29. *Stresses* the need to continue to take effective measures, preferably within the existing frameworks, to address the debt problems of the least developed countries, including through cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private;

30. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability;

31. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of domestic public and private debt, in order to ensure the achievement of development goals, recognizes that credit rating agencies also play a significant role in the provision of information, including assessment of corporate and sovereign risks, and in this regard calls for strong oversight over credit rating agencies consistent with the agreed and strengthened international code of conduct;

32. *Calls for* the consideration of enhanced approaches to sovereign debt restructuring mechanisms based on existing frameworks and principles, with the broad participation of creditors and debtors, the comparable treatment of all creditors and an important role for the Bretton Woods institutions, and in this regard, welcomes and calls upon all countries to contribute to the ongoing discussions in the International Monetary Fund and the World Bank and other forums on the need for and feasibility of a more structured framework for international cooperation in this area;

33. *Welcomes* the efforts of and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping

post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

34. *Also welcomes* the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt concerns, while taking into account their specific situation and needs;

35. *Further welcomes* the efforts of and calls upon the international community to support institutional capacity-building in developing countries for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

36. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

37. *Invites* the international community, including the United Nations system, to continue efforts to increase financial support in respect of capacity-building activities for developing countries in the area of debt management and debt sustainability, and encourages countries that have not done so to create transparent and accountable debt management systems;

38. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

39. *Requests* the Secretary-General to submit to the General Assembly at its sixty-fifth session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation of developing countries;

40. *Decides* to include in the provisional agenda of its sixty-fifth session, under the item entitled "Macroeconomic policy questions", a sub-item entitled "External debt sustainability and development".